

**COUNSEL | PORTFOLIO SERVICES**

# Counsel Global Fixed Income

INTERIM UNAUDITED FINANCIAL STATEMENTS

For the period ended September 30, 2019

Counsel Portfolio Services Inc., the Manager of the Fund, appoints independent auditors to audit the Fund's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Interim Financial Statements, this must be disclosed in an accompanying notice. The Fund's independent auditors have not performed a review of these Interim Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada.

**STATEMENTS OF FINANCIAL POSITION**

at September 30, 2019 (unaudited) with comparative figures at March 31, 2019 (audited)  
(in \$ 000 except per security amounts)

	Sep. 30 2019	Mar. 31 2019
<b>Assets</b>		
<b>Current assets:</b>		
Investments at fair value	54,405	65,923
Cash and cash equivalents	52,057	54,649
Accrued interest receivable	849	1,047
Dividends receivable	-	-
Accounts receivable for investments sold	790	-
Accounts receivable for securities issued	-	42
Accounts receivable from the Manager	-	-
Margin on derivative contracts	2,188	1,119
Derivative assets	182	1,035
Other assets	-	-
	110,471	123,815
<b>Non-current assets:</b>		
Taxes recoverable	-	-
Other assets	-	-
	-	-
<b>Total assets</b>	110,471	123,815
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Bank indebtedness	-	-
Accounts payable for investments purchased	-	-
Accounts payable for securities redeemed	644	136
Distributions payable	-	-
Accrued expenses and miscellaneous payables	1	1
Dividends payable on investments sold short	-	-
Derivative liabilities	1,705	1,015
Taxes payable	-	-
Other liabilities	-	-
	2,350	1,152
<b>Total liabilities</b>	2,350	1,152
<b>Net assets attributable to securityholders</b>	108,121	122,663

	Net assets attributable to securityholders			
	per security		per series	
	Sept. 30 2019	Mar. 31 2019	Sept. 30 2019	Mar. 31 2019
Series O	9.26	9.73	36,855	46,079
Series Private Wealth	8.83	9.28	71,266	76,584
			108,121	122,663

**STATEMENTS OF COMPREHENSIVE INCOME**

for the periods ended September 30 (unaudited)  
(in \$ 000 except per security amounts)

	2019	2018
<b>Income:</b>		
Dividends	-	-
Interest and other income	2,257	2,317
Net realized gain (loss)	1,494	(1,576)
Net unrealized gain (loss)	(5,705)	(10,530)
Income (loss) from derivatives	(1,205)	64
Income (loss) from short selling	-	-
Securities lending income	-	-
Trust income	-	-
<b>Total income</b>	(3,159)	(9,725)
<b>Expenses:</b>		
Management fees	-	-
Management fee rebates	-	-
Administration fees	63	72
Commissions and other portfolio transaction costs	1	1
Independent Review Committee costs	1	1
Interest and other charges	-	-
<b>Expenses before amounts absorbed by Manager</b>	65	74
Expenses absorbed by Manager	-	-
<b>Net expenses</b>	65	74
<b>Increase (decrease) in net assets attributable to securityholders</b>		
<b>from operations before tax</b>	(3,224)	(9,799)
Foreign withholding tax expense (recovery)	38	19
Foreign income tax expense (recovery)	-	-
Income tax expense (recovery)	-	-
<b>Increase (decrease) in net assets attributable to securityholders</b>		
<b>from operations</b>	(3,262)	(9,818)

	Increase (decrease) in net assets attributable to securityholders from operations			
	per security		per series	
	2019	2018	2019	2018
Series O	(0.26)	(0.68)	(1,164)	(3,871)
Series Private Wealth	(0.25)	(0.64)	(2,098)	(5,947)
Series R	-	(0.63)	-	-
			(3,262)	(9,818)

**STATEMENTS OF CHANGES IN FINANCIAL POSITION**

for the periods ended September 30 (unaudited) (in \$ 000 except when stated)

	TOTAL		SERIES O		SERIES PRIVATE WEALTH		SERIES R	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Net assets attributable to securityholders, beginning of period</b>	122,663	150,800	46,079	61,796	76,584	89,003	-	1
Increase (decrease) in net assets attributable to securityholders resulting from:								
<b>Operations</b>	(3,262)	(9,818)	(1,164)	(3,871)	(2,098)	(5,947)	-	-
<b>Distributions:</b>								
Income	(2,503)	(2,186)	(948)	(882)	(1,555)	(1,304)	-	-
Capital gains	-	-	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-	-	-
Management fee rebates	-	-	-	-	-	-	-	-
<b>Total distributions</b>	(2,503)	(2,186)	(948)	(882)	(1,555)	(1,304)	-	-
<b>Security transactions:</b>								
Proceeds from sale of securities	5,421	10,519	322	599	5,099	9,920	-	-
Proceeds from securities issued on merger	-	-	-	-	-	-	-	-
Reinvested from distributions	2,500	2,179	948	882	1,552	1,297	-	-
Payment on redemption of securities	(16,698)	(17,345)	(8,382)	(7,528)	(8,316)	(9,817)	-	-
<b>Total security transactions</b>	(8,777)	(4,647)	(7,112)	(6,047)	(1,665)	1,400	-	-
<b>Increase (decrease) in assets attributable to securityholders</b>	(14,542)	(16,651)	(9,224)	(10,800)	(5,318)	(5,851)	-	-
<b>Net assets attributable to securityholders, end of period</b>	108,121	134,149	36,855	50,996	71,266	83,152	-	1
<b>Increase (decrease) in securities (in thousands):</b>								
<b>Securities outstanding, beginning of period</b>			4,736	6,024	8,253	9,095	-	-
Add (deduct):								
Securities sold			33	61	552	1,065	-	-
Securities issued on merger			-	-	-	-	-	-
Reinvested from distributions			99	91	169	140	-	-
Securities redeemed			(888)	(768)	(906)	(1,056)	-	-
<b>Securities outstanding, end of period</b>			3,980	5,408	8,068	9,244	-	-

**STATEMENTS OF CASH FLOWS**

for the periods ended September 30 (unaudited) (in \$ 000)

	2019	2018
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets attributable to securityholders from operations	(3,262)	(9,818)
<b>Less non-cash impact of:</b>		
Net realized loss (gain) on investments	(1,494)	1,576
Change in net unrealized loss (gain) on investments	5,705	10,530
Distributions received from Underlying Funds	-	-
<b>Adjustments for:</b>		
Proceeds from sale and maturity of investments	21,187	8,139
Purchases of investments	(12,495)	(18,863)
(Increase) decrease in accounts receivable and other assets	(871)	465
Increase (decrease) in accounts payable and other liabilities	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>8,770</b>	<b>(7,971)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from securities issued	5,463	10,589
Proceeds from securities issued on merger	-	-
Payments on redemption of securities	(16,190)	(17,430)
Distributions paid net of reinvestments	(3)	(7)
<b>Net cash provided by (used in) financing activities</b>	<b>(10,730)</b>	<b>(6,848)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,960)</b>	<b>(14,819)</b>
Cash and cash equivalents at beginning of period	54,649	70,972
Effect of exchange rate fluctuations on cash and cash equivalents	(632)	(514)
<b>Cash and cash equivalents, end of period</b>	<b>52,057</b>	<b>55,639</b>
Cash	40,385	52,742
Cash equivalents	11,672	2,897
Bank indebtedness	-	-
	52,057	55,639
<b>Supplementary disclosures on cash flow from operating activities:</b>		
Dividends received net of withholding taxes	-	-
Interest received (purchased) net of withholding taxes	2,417	2,544
Interest paid	-	-
Income taxes paid (recovered)	-	-

**SCHEDULE OF INVESTMENTS**

as at September 30, 2019 (unaudited)

	Country	Sector	Currency*	No. of Units, Shares, or Par Value	Average Cost (\$ 000)	Fair Value (\$ 000)
<b>BONDS</b>						
Argentine Bonos del Tesoro 18.20% 10-03-2021	Argentina	Foreign Governments	ARS	20,062,000	1,559	120
Argentine Bonos del Tesoro 16.00% 10-17-2023	Argentina	Foreign Governments	ARS	32,003,000	2,052	246
Argentine Bonos del Tesoro 15.50% 10-17-2026	Argentina	Foreign Governments	ARS	30,515,000	1,969	234
The Bank of Korea 2.05% 10-05-2020	South Korea	Foreign Governments	KOR	2,200,000,000	2,600	2,446
Bank of Thailand 1.34% 02-26-2020	Thailand	Foreign Governments	THB	3,192,000	137	137
Bank of Thailand 1.77% 03-27-2020	Thailand	Foreign Governments	THB	80,293,000	3,348	3,479
Bank of Thailand 1.82% 08-27-2020 Callable 2019	Thailand	Foreign Governments	THB	60,719,000	2,614	2,635
Bank of Thailand 1.57% 09-25-2020	Thailand	Foreign Governments	THB	9,236,000	397	398
Bank of Thailand 1.95% 11-26-2020	Thailand	Foreign Governments	THB	58,217,000	2,481	2,533
Brazil Notas do Tesouro Nacional 10.00% 01-01-2027	Brazil	Foreign Governments	BRL	1,040,000	3,904	3,895
Federative Republic of Brazil 0% 01-01-2020	Brazil	Foreign Governments	BRL	7,000	24	22
Federative Republic of Brazil 0% 04-01-2020	Brazil	Foreign Governments	BRL	27,000	90	84
Federative Republic of Brazil 0% 07-01-2020	Brazil	Foreign Governments	BRL	22,000	73	68
Federative Republic of Brazil 0% 04-01-2021	Brazil	Foreign Governments	BRL	13,000	41	38
Federative Republic of Brazil 0% 07-01-2021 Series LTN	Brazil	Foreign Governments	BRL	5,000	16	15
Federative Republic of Brazil 0% 01-01-2022	Brazil	Foreign Governments	BRL	125,000	361	353
Federative Republic of Brazil 10.00% 01-01-2025	Brazil	Foreign Governments	BRL	690,000	2,650	2,524
Ghana Government Bond 21.50% 03-09-2020 Series 3YR	Ghana	Foreign Governments	GHS	50,000	15	12
Ghana Government Bond 18.50% 06-01-2020 Series 3Y	Ghana	Foreign Governments	GHS	50,000	14	12
Ghana Government Bond 18.25% 09-21-2020 Series 3YR	Ghana	Foreign Governments	GHS	100,000	28	24
Ghana Government Bond 24.75% 03-01-2021	Ghana	Foreign Governments	GHS	100,000	32	26
Ghana Government Bond 16.50% 03-22-2021 Series 3Y	Ghana	Foreign Governments	GHS	6,030,000	1,773	1,425
Ghana Government Bond 16.25% 05-17-2021	Ghana	Foreign Governments	GHS	410,000	114	96
Ghana Government Bond 24.75% 07-19-2021	Ghana	Foreign Governments	GHS	100,000	32	26
Ghana Government Bond 18.25% 07-25-2022 Series 5Y	Ghana	Foreign Governments	GHS	470,000	139	112
Ghana Government Bond 17.60% 11-28-2022 Series 5YR	Ghana	Foreign Governments	GHS	1,080,000	313	252
Government of Argentina 4.00% 03-06-2020	Argentina	Foreign Governments	ARS	194,000	10	3
Federative Republic of Brazil 10.00% 01-01-2023	Brazil	Foreign Governments	BRL	1,020,000	4,178	3,619
Republic of Colombia 7.00% 05-04-2022 Series B	Colombia	Foreign Governments	COP	2,635,000,000	1,187	1,055
Republic of Colombia 10.00% 07-24-2024 Series B	Colombia	Foreign Governments	COP	1,340,000,000	690	615
Government of Indonesia 7.00% 05-15-2022	Indonesia	Foreign Governments	IDR	27,000,000,000	2,621	2,551
Government of Indonesia 8.13% 05-15-2024	Indonesia	Foreign Governments	IDR	38,680,000,000	3,830	3,815
Government of Indonesia 7.00% 05-15-2027	Indonesia	Foreign Governments	IDR	36,650,000,000	3,603	3,393
Government of Mexico 0% 11-07-2019	Mexico	Foreign Governments	MXN	1,038,000	6	7
Government of Mexico 0% 01-16-2020	Mexico	Foreign Governments	MXN	75,830,000	501	498
Government of Mexico 0% 04-02-2020	Mexico	Foreign Governments	MXN	60,948,000	395	394
Government of Mexico 0% 06-04-2020	Mexico	Foreign Governments	MXN	60,659,000	393	387
Government of Mexico 0% 06-18-2020	Mexico	Foreign Governments	MXN	60,660,000	387	386
Government of Mexico 6.50% 06-10-2021	Mexico	Foreign Governments	MXN	61,000,000	4,061	4,083
Government of Mexico 7.25% 12-09-2021	Mexico	Foreign Governments	MXN	4,060,000	281	276
Government of Mexico 6.50% 06-09-2022	Mexico	Foreign Governments	MXN	4,310,000	291	288
Government of Mexico 10.00% 12-05-2024	Mexico	Foreign Governments	MXN	20,000	2	2
Korea Treasury Bond 1.75% 06-10-2020	South Korea	Foreign Governments	KOR	2,850,000,000	3,433	3,157
Korea Treasury Bond 1.75% 12-10-2020	South Korea	Foreign Governments	KOR	4,145,000,000	4,938	4,599
Mexican Bonos 8.00% 12-07-2023	Mexico	Foreign Governments	MXN	50,000	3	4
Mexico Cetes 0% 01-02-2020	Mexico	Foreign Governments	MXN	421,461,000	2,693	2,774
Republic of Argentina 0% 09-30-2019	Argentina	Foreign Governments	ARS	42,365,000	1,431	828
Republic of Argentina 0% 10-31-2019	Argentina	Foreign Governments	ARS	13,160,000	465	230
Republic of Argentina 4.50% 02-13-2020	Argentina	Foreign Governments	USD	199,000	262	101
Republic of Argentina 0% 02-28-2020	Argentina	Foreign Governments	ARS	163,000	5	2
Republic of Argentina 0% 04-30-2020	Argentina	Foreign Governments	ARS	7,899,000	270	91
Republic of Argentina F/R 06-21-2020	Argentina	Foreign Governments	ARS	520,000	26	6
Republic of Argentina 0% 07-31-2020	Argentina	Foreign Governments	ARS	3,020,000	88	29
					62,826	54,405
<b>COMMISSIONS AND OTHER PORTFOLIO TRANSACTION COSTS</b>					(4)	-
<b>TOTAL INVESTMENTS</b>					62,822	54,405
<b>Net Assets:</b>						
Total investments						54,405
Cash and cash equivalents						52,057
Derivative assets (see schedule of derivative instruments)						182
Derivative liabilities (see schedule of derivative instruments)						(1,705)
Other net assets (liabilities)						3,182
						108,121

\*Par value of bonds is stated in Canadian dollars unless otherwise noted.

**Schedule of Asset Composition**

at September 30, 2019 (unaudited)

at March 31, 2019

	% of net assets		% of net assets
<b>BY ASSET TYPE</b>			
Government Bonds	49.9	Government Bonds	53.7
Swaps	(1.1)	Swaps	(0.4)
Cash and cash equivalents	48.1	Cash and cash equivalents	44.6
Other	3.1	Other	2.1
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>
<b>REGIONAL ALLOCATION</b>			
Pacific ex Japan	26.7	Pacific ex Japan	27.0
Latin America	21.2	Latin America	25.1
Canada	5.1	Canada	2.1
United States	(1.1)	Middle East and Africa	1.6
Cash and cash equivalents	48.1	United States	0.4
	<b>100.0</b>	Cash and cash equivalents	44.6
			<b>100.0</b>

**Schedule of Derivative Instruments**

as at September 30, 2019 (unaudited)

**Schedule of Forward Currency Contracts**

Counterparty credit rating	Settlement date	Currency to be received (000)	Contract costs (CAD\$ 000)	Currency to be delivered (000)	Current fair value (CAD\$ 000)	Unrealized gains (CAD\$ 000)	Unrealized losses (CAD\$ 000)
AA	11-04-2019	3,323 BRL	1,101	832 USD	1,056	-	(45)
AA	12-03-2019	6,120 BRL	1,935	1,462 USD	1,942	7	-
A	10-21-2019	27,853 JPY	344	260 USD	342	-	(2)
A	10-21-2019	98,348 JPY	1,214	917 USD	1,206	-	(8)
AA	10-21-2019	79,510 JPY	980	741 USD	975	-	(5)
AA	12-05-2019	80,933 JPY	1,004	758 USD	995	-	(9)
A	12-06-2019	97,418 JPY	1,207	912 USD	1,198	-	(9)
A	12-06-2019	151,160 JPY	1,877	1,418 USD	1,859	-	(18)
AA	12-06-2019	84,193 JPY	1,045	789 USD	1,036	-	(9)
A	12-19-2019	131,123 JPY	1,620	1,224 USD	1,615	-	(5)
AA	12-20-2019	64,410 JPY	796	601 USD	793	-	(3)
A	03-06-2020	97,418 JPY	1,215	918 USD	1,206	-	(9)
AA	03-06-2020	92,523 JPY	1,156	873 USD	1,146	-	(10)
A	03-23-2020	98,348 JPY	1,226	926 USD	1,219	-	(7)
A	03-23-2020	91,743 JPY	1,142	863 USD	1,137	-	(5)
AA	03-23-2020	64,410 JPY	802	606 USD	799	-	(3)
AA	03-23-2020	64,271 JPY	800	605 USD	796	-	(4)
AA	03-24-2020	33,398 JPY	420	317 USD	414	-	(6)
A	06-08-2020	97,418 JPY	1,222	924 USD	1,213	-	(9)
AA	06-08-2020	92,523 JPY	1,162	878 USD	1,152	-	(10)
AA	06-22-2020	64,410 JPY	806	609 USD	803	-	(3)
AA	06-24-2020	162,770 JPY	2,058	1,555 USD	2,029	-	(29)
A	09-08-2020	97,418 JPY	1,242	939 USD	1,219	-	(23)
AA	09-08-2020	83,696 JPY	1,067	806 USD	1,048	-	(19)
A	10-17-2019	249 USD	329	280,000 KOR	309	20	-
A	10-17-2019	280,000 KOR	309	234 USD	309	-	-
A	11-12-2019	1,816 USD	2,403	2,200,000 KOR	2,431	-	(28)
A	11-12-2019	435,000 KOR	481	363 USD	481	-	-
A	03-18-2020	5,831 USD	7,719	6,860,000 KOR	7,614	105	-
AA	11-14-2019	3,422 NOK	509	385 USD	498	-	(11)
AA	11-19-2019	12,831 NOK	1,892	1,430 USD	1,868	-	(24)
AA	11-22-2019	6,800 NOK	1,002	757 USD	990	-	(12)
AA	12-03-2019	1,568 NOK	229	173 USD	228	-	(1)
AA	02-26-2020	11,020 NOK	1,631	1,232 USD	1,606	-	(25)
AA	10-28-2019	9,020 SEK	1,235	933 USD	1,215	-	(20)
AA	11-26-2019	17,400 SEK	2,395	1,809 USD	2,348	-	(47)
AA	11-29-2019	6,941 SEK	958	724 USD	936	-	(22)
AA	12-03-2019	2,134 SEK	292	220 USD	289	-	(3)
AA	02-28-2020	3,403 SEK	470	355 USD	462	-	(8)
AA	10-28-2019	12,974 CAD	12,974	9,823 USD	13,008	-	(34)
AA	10-28-2019	12,931 CAD	12,931	9,727 USD	12,881	50	-
						182	(485)

**Schedule of Derivative Instruments (continued)**

as at September 30, 2019 (unaudited)

**Schedule of Interest Rate Swaps**

Counterparty credit rating	No. of contracts	Maturity date	Fund pays return on:	Fund receives return on:	Notional value (CAD\$ 000)	Unrealized gains (CAD\$ 000)	Unrealized losses (CAD\$ 000)	
A	1	02-20-2048	Fixed interest at 2.97981%	Floating interest LIBOR 3 month	275	-	(83)	
A	1	02-22-2048	Fixed interest at 3.00200%	Floating interest LIBOR 3 month	275	-	(84)	
A	1	02-23-2048	Fixed interest at 3.01900%	Floating interest LIBOR 3 month	275	-	(86)	
A	1	12-21-2047	Fixed interest at 2.59300%	Floating interest LIBOR 3 month	2,250	-	(482)	
A	1	04-25-2048	Fixed interest at 2.99750%	Floating interest LIBOR 3 month	1,509	-	(485)	
					4,585	-	(1,220)	
<b>TOTAL DERIVATIVE ASSETS</b>								182
<b>TOTAL DERIVATIVE LIABILITIES</b>								(1,705)

**Note:**

The following abbreviations are used in the above tables:

ARS – Argentina peso

BRL – Brazilian real

CNY – Chinese yuan

COP – Colombian peso

EUR – Euro

GBP – United Kingdom pounds

GHS – Ghana cedi

IDR – Indonesian rupiah

INR – Indian rupee

JPY – Japanese yen

KOR – South Korean won

MXN – Mexican peso

NOK – Norwegian Krone

THB – Thailand baht

USD – United States dollars

**NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS****1. FISCAL PERIODS AND GENERAL INFORMATION**

The information provided in these financial statements and notes thereto is for the six-month periods ended or as at September 30, 2019 and 2018 (as applicable), except for the comparative information presented in the Statements of Financial Position and notes thereto, which is as at March 31, 2019. In the year a series is established, 'period' represents the period from inception to the period end of that fiscal period. Refer to Note 10 (a) for series inception dates.

The Fund is organized as an open-ended mutual fund trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust as amended and restated from time to time. The address of the Fund's registered office is 5015 Spectrum Way, Suite 300, Mississauga, Ontario, Canada. The Fund is authorized to issue an unlimited number of units (referred to as "security" or "securities") of multiple series. Series of the Fund are available for sale under Simplified Prospectus and/or exempt distribution options.

Counsel Portfolio Services Inc. (the "Manager" or "Counsel") acts as the Fund's manager and trustee.

**2. BASIS OF PREPARATION AND PRESENTATION**

These unaudited interim financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard 34 Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These financial statements were prepared using the same accounting policies, critical accounting judgments and estimates as applied in the Fund's most recent audited annual financial statements for the year ended March 31, 2019. A summary of the Fund's significant accounting policies under IFRS is presented in Note 3.

These financial statements are presented in Canadian dollars, which is the Fund's functional currency, and are rounded to the nearest thousand unless otherwise indicated. These financial statements are prepared on a going concern basis using the historical cost basis, except for financial assets and liabilities that have been measured at fair value.

These financial statements were authorized for issue by Counsel's Board of Directors on November 12, 2019.

**3. SIGNIFICANT ACCOUNTING POLICIES****(a) Financial Instruments**

Financial instruments include financial assets and liabilities such as debt and equity securities and derivatives. The Fund classifies and measures financial instruments in accordance with IFRS 9 Financial Instruments. Upon initial recognition, financial instruments are classified as fair value through profit or loss ("FVTPL"). All financial instruments are recognized in the Statements of Financial Position when the Fund becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date.

Investments are designated on initial recognition as FVTPL with changes in fair value recognized in the Statement of Comprehensive Income – Net unrealized gain (loss).

The Fund's redeemable securities contain multiple contractual obligations and therefore meet the criteria for classification as financial liabilities. The Fund's obligation for net assets attributable to securityholders is presented at the redemption amount.

Realized and unrealized gains and losses on investments are calculated based on average cost of investments and exclude commissions and other portfolio transaction costs, which are separately reported in the Statement of Comprehensive Income – Commissions and other portfolio transaction costs.

Gains and losses arising from changes in the fair value of the investments are included in the Statement of Comprehensive Income for the period in which they arise.

**(b) Fair Value Measurement**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments, including exchange traded funds ("ETFs"), listed on a public securities exchange or traded on an over-the-counter market are valued on the basis of the last traded market price where this price falls within the quoted bid-ask spread for the investment. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Unlisted or non-exchange traded investments, or investments where a last sale or close price is unavailable or investments for which market quotations are, in Counsel's opinion, inaccurate, unreliable, or not reflective of all available material information, are valued at their fair value as determined by the Manager using appropriate and accepted industry valuation techniques including valuation models. The fair value determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the fair value may be determined using valuation techniques that are not supported by observable market data. The cost of investments is determined on a weighted average cost basis.

Cash and cash equivalents which includes cash on deposit with financial institutions and short term investments that are readily convertible to cash, are subject to an insignificant risk of changes in value, and are used by the Fund in the management of short-term commitments. Cash and cash equivalents are reported at fair value which closely approximates their amortized cost due to their nature of being highly liquid and having short terms to maturity.

The Fund may use derivatives (such as written options, futures, forward contracts, swaps or customized derivatives) to hedge against losses caused by changes in securities prices, interest rates or exchange rates. The Fund may also use derivatives for non-hedging purposes in order to invest indirectly in securities or financial markets, to gain exposure to other currencies, to seek to generate additional income, and/or for any other purpose considered appropriate by the Manager, provided that the use of the derivative is consistent with the Fund's investment objectives. Any use of derivatives will comply with Canadian mutual fund laws, subject to the regulatory exemptions granted to the Fund, as applicable.

Valuations of derivative instruments are carried out daily, using normal exchange reporting sources for exchange-traded derivatives and specific broker enquiry for over-the-counter derivatives.

The value of forward contracts is the gain or loss that would be realized if, on the valuation date, the positions were to be closed out. The change in value of forward contracts is included in the Statements of Comprehensive Income – Other changes in fair value of investments - Net unrealized gain (loss).

Further information on the Fund's fair value measurements may be found in Note 10.

**(c) Income recognition**

Interest income from interest bearing investments is recognized using the effective interest method. Dividends are accrued as of the ex-dividend date. Realized gains or losses on the sale of investments, including foreign exchange gains or losses on such investments, are calculated on an average cost basis.

Income, realized gains (losses) and unrealized gains (losses) are allocated daily among the series on a pro-rata basis.

**(d) Commissions and other portfolio transaction costs**

Commissions and other portfolio transaction costs are costs incurred to acquire financial assets or liabilities. They include fees and commissions paid to agents, advisers, brokers and dealers.

**(e) Securities lending, repurchase and reverse repurchase transactions**

The Fund is permitted to enter into securities lending, repurchase and reverse repurchase transactions as set out in the Fund's Simplified Prospectus. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date. Securities lending transactions are administered by the Canadian Imperial Bank of Commerce (the "Securities Lending Agent"). The value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. Collateral received is comprised of debt obligations of the Government of Canada and other countries, Canadian provincial and municipal governments, and financial institutions. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is included in the Statements of Comprehensive Income – Securities lending income and recognized when earned.

**(f) Foreign currency**

The functional and presentation currency of the Fund is Canadian dollars. Foreign currency purchases and sales of investments and foreign currency dividend and interest income and expenses are translated to Canadian dollars at the rate of exchange prevailing at the time of the transactions.

Foreign exchange gains (losses) on purchases and sales of foreign currencies are included in the Statements of Comprehensive Income – Net realized gain (loss).

The fair value of investments and other assets and liabilities, denominated in foreign currencies, are translated to Canadian dollars at the rate of exchange prevailing on each business day.



**NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(g) Offsetting**

The Fund only offsets financial assets and liabilities in the Statement of Financial Position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statements of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

Income and expenses are not offset in the statement of comprehensive income unless required or permitted to by an accounting standard, as specifically disclosed in the IFRS policies of the Fund.

**(h) Net assets attributable to securityholders per security**

Net assets attributable to securityholders per security is computed by dividing the net assets attributable to securityholders of a series of securities on a business day by the total number of securities of the series outstanding on that day.

**(i) Net asset value per security**

Net asset value per security is determined for the purchase and redemption of securities in accordance with the methods disclosed in the Fund's Simplified Prospectus and Annual Information Form. These methods may vary from valuation principles under IFRS. The fair value of net assets presented in the financial statements is consistent with the net asset values calculated for the purchase and redemption of the Fund's redeemable securities calculated in accordance with securities regulations.

**(j) Increase (decrease) in net assets attributable to securityholders from operations per security**

Increase (decrease) in net assets attributable to securityholders from operations per security in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to securityholders from operations for the period, divided by the weighted average number of securities outstanding during the period.

**(k) Mergers**

The Fund applies the acquisition method of accounting for Fund mergers. Under this method, one of the Funds in each merger is identified as the acquiring Fund, and is referred to as the Continuing Fund, and the other Fund involved in the merger is referred to as the Terminated Fund. This identification is based on the comparison of the relative net asset values of the Funds as well as consideration of the continuation of such aspects of the Continuing Fund as: investment advisors; investment objectives and practices; type of portfolio securities; and management fees and expenses.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of these financial statements requires management to make estimates and assumptions that primarily affect the valuation of investments. Estimates and assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

**Use of Estimates**

Fair value of securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets and are valued using valuation techniques that make use of observable data, to the extent practicable. Various valuation techniques are utilized, depending on a number of factors, including comparison with similar instruments for which observable market prices exist and recent arm's length market transactions. Key inputs and assumptions used are company specific and may include estimated discount rates and expected price volatilities. Changes in key inputs, could affect the reported fair value of these financial instruments held by the Fund.

**Use of Judgments**

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. The Manager has considered the Fund's business model, commitments to securityholders, and the manner in which investments are managed and evaluated as a group and has determined that irrevocable designation of financial instruments as financial assets or financial liabilities at fair value through profit or loss provides the most appropriate measurement and presentation of the Fund's investments and financial instruments.

**Functional currency**

The Fund's functional and presentation currency is the Canadian dollar, which is the currency considered to best represent the economic effects of the Fund's underlying transactions, events and conditions taking into consideration the manner in which securities are issued and redeemed and how returns and performance by the Fund are measured.

**5. INCOME TAXES**

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is subject to tax on its income including net realized capital gains in the taxation year, which is not paid or payable to its securityholders as at the end of the taxation year. It is the intention of the Fund to distribute all of its net income and sufficient net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable. The Fund's taxation year end is December 15.

Losses of the Fund cannot be allocated to securityholders and are retained in the Fund for use in future years. Non-capital losses incurred may be carried forward up to 20 years to reduce taxable income and realized capital gains of future years. Net capital losses may be carried forward indefinitely to reduce future realized capital gains.

Refer to Note 10 (d) for a summary of the Fund's loss carryforwards.

**6. MANAGEMENT FEES AND OPERATING EXPENSES**

Counsel is paid a management fee for arranging for the management of the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements relating to the purchase and sale of the investment portfolio and making arrangements with registered dealers for the purchase and sale of securities of the Fund by securityholders.

Each series of the Fund, excluding series O, is charged a fixed rate annual administration fee ("Administration Fee"), as applicable, and in return, Counsel bears all of the operating expenses of the Fund, other than certain specified fund costs.

Other fund costs include taxes (including, but not limited to GST/HST and income tax), interest and borrowing costs, all fees and expenses of the Counsel Funds' Independent Review Committee, costs of complying with the regulatory requirement to produce Fund Facts, fees paid to external service providers associated with tax reclaims, refunds or the preparation of foreign tax reports on behalf of the Funds, and any new fees related to external services that were not commonly charged in the Canadian mutual fund industry and introduced after October 29, 2019 (the date of the Fund's last Simplified Prospectus).

The management fee and Administration Fee are calculated for each series of securities of the Fund as an annualized percentage of the daily net asset value of the series. Refer to Note 10 (a) for the management fee and Administration Fee rates charged to each series of securities.

At its sole discretion, the Manager may waive management fees or Administration fees otherwise payable by a series.

**7. FUND'S CAPITAL**

The capital of the Fund is divided into different series with each series having an unlimited number of securities. The securities outstanding for the Fund as at September 30, 2019 and March 31, 2019 and securities issued, reinvested and redeemed for the period are presented in the Statements of Changes in Financial Position. Counsel manages the capital of the Fund in accordance with the investment objectives and strategies as discussed in Note 10 (b).

**NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS****8. FINANCIAL INSTRUMENTS RISK****(a) Risk exposure and management**

The Fund's investment activities expose it to a variety of financial risks, as defined in IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7"). The Fund's exposure to financial risks is concentrated in its investments, which are presented in the Schedule of Investments, grouped by asset type, with geographic and sector information.

The Manager seeks to minimize potential adverse effects of financial risks on the Fund's performance by employing professional, experienced portfolio advisors, by monitoring the Fund's positions and market events daily, by diversifying the investment portfolio within the constraints of the Fund's investment objectives and strategies, as disclosed in Note 10 (b), and where applicable, by using derivatives to hedge certain risk exposures. To assist in managing risks, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, internal guidelines, and securities regulations.

**(b) Liquidity risk**

Liquidity risk arises when the Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable securities. In order to monitor the liquidity of its assets, the Fund utilizes a liquidity risk management program that calculates the number of days to convert the investments held by the Fund into cash using a multi-day liquidation approach. This liquidity risk analysis assesses the Fund's liquidity against pre-determined minimum liquidity percentages, established for different time periods, and is monitored quarterly. In addition, the Fund has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions. In order to comply with securities regulations, the Fund must maintain at least 85% of its assets in liquid investments (i.e. investments that can be readily sold).

Other investment funds managed by Counsel ("Top Funds") may invest in Series O securities offered by the Fund on a prospectus-exempt basis in accordance with the investment objectives of those funds. Series Private Wealth securities may also be issued on a prospectus-exempt basis to investors in the IPC Private Wealth program offered by IPC Securities Corporation, an affiliate of Counsel. From time to time, these holdings may be rebalanced by either reducing an allocation to the Fund or eliminating such investments in the Fund entirely. In either case, depending on the size of the investment by a large investor, this could cause a significant redemption from the Fund. Meeting such a redemption may require the Fund to sell portfolio holdings. This could result in the Fund selling a particular holding before it has achieved the valuation sought by the Manager thus affecting Fund returns. This could also result in the Fund realizing capital gains on its holdings earlier than planned, which could result in capital gains distributed to investors in the Fund (which could result in income tax payable by the investor) that might not have occurred or might have occurred at a later date. For the amounts held by and the changes thereto during the period pertaining to Series O and/or Series Private Wealth, please refer to the amounts disclosed in the Statement of Financial Position and Statement of Changes in Financial Position.

**(c) Credit Risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment into which it has entered with the Fund.

All transactions in listed securities are executed with approved brokers. To minimize the possibility of settlement default, securities are exchanged for payment simultaneously, where market practices permit, through the facilities of a central depository and/or clearing agency where customary.

The carrying amount of investments and other assets represents the maximum credit risk exposure as at the dates of the Statements of Financial Position.

The Fund may enter into securities lending transactions with counterparties and it may also be exposed to credit risk from the counterparties to the derivative instruments it may use. Credit risk associated with these transactions is considered minimal as all counterparties have an approved credit rating equivalent to a Standard & Poor's credit rating of not less than A-1 (low) on their short-term debt and of A on their long-term debt, as applicable.

Note 10 (c) summarizes the Fund's exposure to credit risk pertaining to fixed income investments and derivatives.

**(d) Currency risk**

Currency risk arises when the fair value of financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's reporting currency, fluctuates due to changes in exchange rates. Note 10 (c) summarizes the Fund's exposure to currency risk.

**(e) Interest rate risk**

Interest rate risk arises when the fair value of interest-bearing financial instruments fluctuates due to changes in the prevailing levels of market interest rates. Cash and cash equivalents do not expose the Fund to significant amounts of interest rate risk. Note 10 (c) summarizes the Fund's exposure to interest rate risk related to fixed income investments including indirect exposure through ETFs.

**(f) Other price risk**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. This risk is managed through a careful selection of investments and other financial instruments within the parameters of the investment strategy. Note 10 (c) summarizes the Fund's exposure to other price risk, including indirect exposure through ETFs.

**9. FURTHER INFORMATION**

A copy of the Fund's current Simplified Prospectus, Annual Information Form, Management Report of Fund Performance, Fund Fact Sheets, quarterly portfolio disclosures and proxy voting policies and disclosures will be provided, without charge, by: calling toll-free 1-877-625-9885, writing to Counsel Portfolio Services Inc., 5015 Spectrum Way, Suite 300, Mississauga, ON, L4W 0E4, by visiting our website at [www.counsel.services.com](http://www.counsel.services.com) or by visiting [www.sedar.com](http://www.sedar.com).

**NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS**

All figures stated in \$000s of Canadian dollars, except for Note 10(a), unless otherwise noted

**10. FUND SPECIFIC INFORMATION****(a) Series information**

Series	Date of Inception	Minimum Investment (\$)	Management Fee (%)	Administration Fee (%)
Series O <sup>1,4</sup>	January 17, 2018	-	-	-
Series Private Wealth <sup>2,4</sup>	May 23, 2014	-	-	0.15
Series R <sup>3,4</sup>	May 23, 2014	-	-	-

<sup>1</sup> There are no management or administration fees for this series since these securities are designed to facilitate fund-of-fund investing where duplication of management fees is prohibited.

<sup>2</sup> There are no management fees for Series Private Wealth. An investor must enter into an agreement to participate in the IPC Private Wealth Program and agree to pay certain asset-based fees.

<sup>3</sup> This series is not available for sale and is held solely by Counsel. On December 10, 2018, this series was terminated.

<sup>4</sup> Securities of this series are not subject to sales charges or redemption charges.

**(b) Investment Objectives and Strategies**

The Fund seeks to achieve a high level of current income with the potential for capital appreciation. The Fund invests primarily in fixed-income securities issued around the world generally outside of developed markets.

**(c) Risks Associated with Financial Instruments**

## i. Currency Risk

The table below indicates the foreign currencies, to which the Fund had significant exposure as at period end in Canadian dollar terms, including the underlying principal amount of forward currency contracts.

September 30, 2019				
Currency	Investments	Cash and cash equivalents	Derivative instruments	Net exposure
Argentina peso	1,789	76	-	1,865
Brazilian real	10,618	-	2,998	13,616
Colombian peso	1,669	-	-	1,669
Ghana Cedi	1,986	-	-	1,986
Japanese yen	-	10,434	24,200	34,634
Thailand baht	9,182	1,274	-	10,456
Norwegian krona	-	-	5,190	5,190
Swedish krona	-	-	5,250	5,250
Indonesian rupiah	9,759	-	-	9,759
Mexican peso	9,098	2,062	-	11,160
United States dollars	101	42,303	(53,963)	(11,559)
Other currencies	10,202	(787)	(9,564)	(149)
Total	54,404	55,362	(25,889)	83,877
As percent of net assets (%)				77.6

March 31, 2019				
Currency	Investments	Cash and cash equivalents	Derivative instruments	Net exposure
Argentina peso	5,568	(391)	-	5,177
Brazilian real	11,237	-	3,210	14,447
Colombian peso	1,826	239	-	2,065
Ghana cedi	1,972	132	-	2,104
Indian rupee	-	-	(1)	(1)
Indonesian rupiah	9,791	-	-	9,791
Mexican peso	11,940	909	-	12,849
Philippine peso	-	2,944	-	2,944
South Korean won	11,660	6	(11,029)	637
Thailand baht	11,677	1,106	-	12,783
United States dollars	251	49,446	(5,453)	44,244
Total	65,922	54,391	(13,273)	107,040
As percent of net assets (%)				87.3

As at September 30, 2019, had the Canadian dollar strengthened or weakened by 5.0% relative to all foreign currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$4,194 or 3.9% of total net assets (March 31, 2019 – \$5,352 or 4.4% of total net assets). In practice, the actual trading results may differ and the difference could be material.

**NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS**

All figures stated in \$000s of Canadian dollars, except for Note 10(a), unless otherwise noted

**10. FUND SPECIFIC INFORMATION****(c) Risks Associated with Financial Instruments (continued)**

## ii. Interest Rate Risk

The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity.

Bonds	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years	Total
September 30, 2019	14,936	29,422	10,047	-	54,405
March 31, 2019	25,687	28,403	11,833	-	65,923

The Fund additionally uses interest rate swaps to counteract the interest rate risk inherent in its fixed income instruments. As at September 30, 2019, had the prevailing interest rates raised or lowered by 1.0%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have increased or decreased respectively by approximately \$49 or 0.0% of total net assets (March 31, 2019 – \$1,042 or 0.8% of total net assets). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the Fund's bond portfolio and interest rate swaps. In practice, the actual trading results may differ and the difference could be material.

## iii. Other Price Risk

As at September 30, 2019 and March 31, 2019, the Fund did not have a significant exposure to other price risk.

## iv. Credit Risk

The fair value of debt securities includes consideration of the creditworthiness of the debt issuer. As at September 30, 2019, the Fund's maximum exposure to any one debt issuer was 9.6% (March 31, 2019 – 8.8%).

The table below indicates the Fund's exposures to debt securities by credit rating as a percentage of net assets:

September 30, 2019	
AA	7.2
A	8.3
BBB	10.5
less than BBB	13.2
Unrated	10.7
Total	49.9

  

March 31, 2019	
AA	7.4
A	11.4
BBB	9.5
less than BBB	15.4
Unrated	10.0
Total	53.7

*Credit ratings are based on DBRS, Standard & Poor's or Moody's ratings.*

**(d) Loss Carryforwards**

As at the last taxation year-end, \$927 of net capital losses and \$nil of non-capital losses were available to offset future taxable income.

**(e) Fair Value Classification**

The table below summarizes the Fund's financial instruments carried at fair value using the following fair value hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

as at September 30, 2019	Level 1	Level 2	Level 3	Total
Fixed income	-	54,405	-	54,405
Mutual Funds	-	-	-	-
Cash equivalents	-	11,672	-	11,672
Derivative assets	-	182	-	182
Derivative liabilities	-	(1,705)	-	(1,705)
Total	-	64,554	-	64,554

  

as at March 31, 2019	Level 1	Level 2	Level 3	Total
Fixed income	-	65,923	-	65,923
Mutual Funds	-	-	-	-
Cash equivalents	-	2,846	-	2,846
Derivative assets	-	1,035	-	1,035
Derivative liabilities	-	(1,015)	-	(1,015)
Total	-	68,789	-	68,789

There were no significant transfers between Level 1 and Level 2. Cash equivalents classified as level 2 investments are valued based on amortized cost plus accrued interest which closely approximates fair value.

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